

## **complaint**

Mrs C complained because Lloyds Bank PLC wrote to tell her that it had sold one of her debts to another company.

Mrs C had completed an Individual Voluntary Agreement (IVA) in respect of her debts. She complained to Lloyds that it had acted fraudulently in selling on her debt which no longer existed.

Mrs C wanted confirmation that there is no outstanding debt, and her credit file changed.

## **background**

Mrs C entered into an IVA in respect of her debts in February 2016. Mrs C had two accounts with Lloyds which were included in the IVA: a current account and a credit card.

In May 2018, a third party paid off Mrs C's debt, so the IVA ended long before it was due to finish. On 25 June 2018, the debt charity supervising the IVA issued a Completion Report for Mrs C's IVA. The debt charity also sent a copy to a data provider organisation which supplies information to some creditors. The data provider organisation produces a daily report for organisations including Lloyds. This would have been available on 29 June.

It's usually the responsibility of the IVA supervisor to notify the creditors. They would issue a completion certificate to the former debtor, who can also forward this to the creditors. This can speed things up, as it can take up to six months for information on the credit file to be updated.

But in the meantime, on 28 June, Lloyds had started the process of selling Mrs C's credit card debt to another organisation. It took a business decision to retain her current account debt. The credit card debt sale was finalised on 29 June.

On 19 July, two letters were sent to Mrs C about her Lloyds credit card debt. One was from Lloyds, and the other from the company to which Lloyds had sold her credit card debt on 29 June. These letters confirmed the sale.

On 10 August, Mrs C wrote to Lloyds about its letter. She said she believed Lloyds had acted fraudulently in selling her debt which no longer existed. She said she'd sent the completion certificate and a covering letter to the company which had bought the debt. She wanted Lloyds to confirm in writing that it had corrected its records immediately, and that the matter was now closed.

In its final response, Lloyds noted that Mrs C's credit card and current account had entered its recoveries department in 2014, and had been part of her 2016 IVA. It explained that it needed a Completion Certificate whenever an IVA was completed. It had sold Mrs C's credit card debt on 29 June 2018, but it hadn't received a Completion Certificate by then.

Lloyds said it still didn't have one on file, so it said Mrs C should send a copy of her Completion Certificate to its insolvency department, and it would then record on her credit file that the current account had been partially settled. But she'd have to contact the firm to which the credit card had been sold, in respect of that account.

Mrs C wasn't satisfied and complained to this service in October.

The investigator didn't uphold Mrs C's complaint. He said that banks can sell accounts that had been involved in an insolvency. And Lloyds hadn't had a record that Mrs C had been discharged from her IVA.

In regard to Mrs C's credit file, the investigator forwarded a copy of Mrs C's certificate to Lloyds. He told Mrs C that this meant Lloyds had now asked the credit reference agencies to update her credit file. This would show Mrs C's account as partially settled, backdated to May 2018.

Mrs C replied that Lloyds should have known that her IVA had completed, because Lloyds had appointed an insolvency management service to represent it. And this service had a duty to tell Lloyds.

The investigator also obtained information from the data provider organisation, which said that Lloyds had had a case report on the day it sold on Mrs C's debt. The investigator said the timing was unfortunate.

Mrs C wasn't satisfied and asked for an ombudsman decision.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First, I need to set out what this decision covers:

- The IVA completion information has been passed to Lloyds, and I understand it has now updated Mrs C's credit file.
- I also note that Mrs C asked us to look at the actions of the company to which the debt was sold. But I can only consider Lloyds' actions, not those of the third party company.

So the issue for me to consider is whether Lloyds acted fairly in relation to the sale of Mrs C's credit card debt.

During the course of an IVA, a lender is perfectly entitled to sell on debt. And here, Mrs C's IVA had been scheduled to last much longer before being paid off by a third party, so Lloyds couldn't have known that it was about to end.

I've looked carefully at the dates involved, and the processes.

The organisation which Mrs C believed represented Lloyds is a data provider, rather than a representative. But it's a recognised source of insolvency information, and updates to that record ought to be picked up promptly by the lender as a matter of good practice. The organisation produces a daily report for lenders. So I find that Lloyds ought to have been aware of the completion by 2 July 2018 – in other words, the next working day after 29 June.

The sale of Mrs C's credit card debt went through on 29 June. So it's unfortunate timing. But I don't find that Lloyds acted wrongly – or as Mrs C said, fraudulently - in selling Mrs C's credit card debt on that date.

Although Lloyds wasn't wrong to sell Mrs C's credit card debt, it could have handled things better once it became apparent that in fact it had sold the debt after Mrs C had finished her IVA in June. The July letters to Mrs C were the result of the sale going through the various computer systems. But I can't see that anyone ever said to her *"Ah, I see what's happened here. We can see you're no longer liable to repay any more money and we'll sort it out for you."* The sale wasn't wrong, but Lloyds could still have dealt with the issue once Mrs C notified it in August. At that point, Lloyds should have checked the data provider's report, not just checked whether it had received an individual notification.

But I'd also point out that it's generally better for consumers to tell the creditors themselves direct, rather than waiting for things to work their way through the system, which can take a long time.

I've considered whether or not Lloyds should pay Mrs C any compensation for its poor handling of her complaint in August 2018. As I've set out above, Lloyds didn't act wrongly in selling the debt, which was just unfortunate timing, but should have handled her complaint better.

I recognise that Mrs C was upset and annoyed when she received the July letters. It would have been frustrating when she knew the IVA had completed early. But we are all inconvenienced at times in our day-to-day lives – and in our dealings with other people, business and organisations. For us to award compensation, we need to decide that the impact of a business's actions has been greater than this type of inconvenience or upset.

I also note that in the debt charity's letter to Mrs C which confirms the end of her IVA, it specifically mentions the possibility of receiving phone calls or letters from previous creditors. So this would have showed Mrs C that things aren't necessarily entirely straightforward and hassle-free at the end of an IVA.

Taking all the factors into account, I don't consider Lloyds need pay Mrs C compensation for its poor handling of her August 2018 complaint.

### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 28 February 2020.

Belinda Knight  
**ombudsman**